

CHAPTER 347

TAXATION

HOUSE BILL 22-1010

BY REPRESENTATIVE(S) Sirota and Van Beber, Kipp, Amabile, Bacon, Bernett, Bird, Boesenecker, Caraveo, Duran, Esgar, Exum, Froelich, Gonzales-Gutierrez, Gray, Herod, Jodeh, Kennedy, Lindsay, Lontine, McCluskie, McCormick, McLachlan, Michaelson Jenet, Roberts, Snyder, Tipper, Titone, Valdez A., Weissman, Woodrow, Young, Garnett, Cutter, Hooton, Ricks; also SENATOR(S) Buckner and Kirkmeyer, Story, Bridges, Fields, Ginal, Hinrichsen, Jaquez Lewis, Lee, Pettersen, Zenzinger, Fenberg.

AN ACT

CONCERNING AN INCOME TAX CREDIT FOR ELIGIBLE EARLY CHILDHOOD EDUCATORS, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Legislative declaration. (1) The general assembly hereby finds and declares that:

(a) Demand for early childhood educators and directors is expected to increase by nearly twenty-five percent over the next ten years, a rate that is even faster anticipated growth than for kindergarten through twelfth grade educators, and the growth rates for early childhood professionals are high everywhere, but are double in rural counties compared to urban counties and highest in frontier counties;

(b) The early care and education sector is comprised almost exclusively of women, forty percent of whom are people of color, and failure to invest in this profession undermines the economic opportunity of early educators and their ability to support the education of the children in their classroom;

(c) These educators represent the most racially diverse sector of the teaching workforce, compared to kindergarten through twelfth grade and postsecondary education, but early educators are among the lowest-paid professionals in every state, including Colorado;

(d) On average, early childhood educators earn less than half of the salary of kindergarten teachers and over one-third report receiving subsidies from public

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

assistance programs to make ends meet;

(e) Low pay and instability in the early childhood sector contribute to high turnover rates with half of all early childhood education professionals changing jobs within three years;

(f) The COVID-19 pandemic has exacerbated the challenges facing the recruitment, retention, and professional development of the early childhood workforce at a time when the need for access to early care and education is acute for working families, and women in particular, to be able to enter the workforce; and

(g) Investments in the early care and education workforce have a significant return on investment with every dollar invested in the early care and education sector resulting in two dollars and twenty-seven cents in output in the state economy and every job created in the early care and education sector resulting in an additional nearly one and one-half new jobs in the state economy.

(2) Now, therefore, the general assembly declares that supporting the early childhood workforce with a targeted tax credit can support stability in the industry and, in turn, support working families, child development, and economic growth.

SECTION 2. In Colorado Revised Statutes, **add** 39-22-547 as follows:

39-22-547. Early childhood educator income tax credit - tax preference performance statement - legislative declaration - definitions - repeal.

(1) (a) THE GENERAL ASSEMBLY FINDS AND DECLARES THAT:

(I) THE BENEFITS OF QUALITY CHILD CARE AND EARLY CHILDHOOD EDUCATION ARE WELL DOCUMENTED AND A STRIKING CONNECTION EXISTS BETWEEN CHILDREN'S LEARNING EXPERIENCES WELL BEFORE KINDERGARTEN AND THEIR LATER SCHOOL SUCCESS;

(II) SMALL BUSINESS OWNERS AND PARENTS WHO RELY ON CHILD CARE TO WORK WOULD ALSO EXPERIENCE LOWER TURNOVER IN CHILD CARE STAFF WHEN EARLY CHILDHOOD EDUCATORS EXPERIENCE BETTER ECONOMIC STABILITY; AND

(III) WHEN EARLY CHILDHOOD EDUCATORS IMPROVE THE QUALITY OF THEIR EDUCATION BY RECEIVING EARLY CHILDHOOD PROFESSIONAL CREDENTIALS OR ATTAINING HIGHER CREDENTIAL LEVELS, IT IMPROVES THE QUALITY OF CHILDREN'S EARLY LEARNING EXPERIENCES.

(b) IN ACCORDANCE WITH SECTION 39-21-304 (1), THE PURPOSE OF THIS TAX EXPENDITURE IS TO:

(I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS, WHICH IN THIS INSTANCE IS FOR EARLY CHILDHOOD EDUCATORS TO RECEIVE AN EARLY CHILDHOOD PROFESSIONAL CREDENTIAL OR TO ATTAIN HIGHER CREDENTIAL LEVELS; AND

(II) PROVIDE TAX RELIEF FOR EARLY CHILDHOOD EDUCATORS.

(c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE

EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE SPECIFIED IN SUBSECTION (1)(b)(I) OF THIS SECTION BASED ON A COMPARISON OF THE NUMBER OF EARLY CHILDHOOD PROFESSIONAL CREDENTIALS AT THE VARIOUS LEVELS BEFORE AND WITH THE CREDIT.

(d) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE SPECIFIED IN SUBSECTION (1)(b)(II) OF THIS SECTION BASED ON THE NUMBER OF CREDITS THAT ARE CLAIMED.

(2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(b) "EARLY CHILDHOOD PROFESSIONAL CREDENTIAL" MEANS THE EARLY CHILDHOOD PROFESSIONAL CREDENTIALS ISSUED BY THE DEPARTMENT OF EDUCATION, OR A SUCCESSOR DEPARTMENT, AND DESIGNATED AS EARLY CHILDHOOD PROFESSIONAL I, EARLY CHILDHOOD PROFESSIONAL II, EARLY CHILDHOOD PROFESSIONAL III, EARLY CHILDHOOD PROFESSIONAL IV, EARLY CHILDHOOD PROFESSIONAL V, AND EARLY CHILDHOOD PROFESSIONAL VI.

(c) "ELIGIBLE EARLY CHILDHOOD EDUCATOR" MEANS AN INDIVIDUAL WHO:

(I) HAS A FEDERAL ADJUSTED GROSS INCOME LESS THAN OR EQUAL TO SEVENTY-FIVE THOUSAND DOLLARS FOR AN INDIVIDUAL FILING A SINGLE RETURN, OR HAS A FEDERAL ADJUSTED GROSS INCOME LESS THAN OR EQUAL TO ONE HUNDRED FIFTY THOUSAND DOLLARS FOR AN INDIVIDUAL FILING A JOINT RETURN;

(II) HOLDS AN EARLY CHILDHOOD PROFESSIONAL CREDENTIAL FOR AT LEAST PART OF THE INCOME TAX YEAR FOR WHICH THE CREDIT IS CLAIMED; AND

(III) FOR AT LEAST SIX MONTHS OF THE INCOME TAX YEAR FOR WHICH THE CREDIT IS CLAIMED, IS EITHER THE LICENSEE OF AN ELIGIBLE PROGRAM OR EMPLOYED BY AN ELIGIBLE PROGRAM.

(d) "ELIGIBLE PROGRAM" MEANS EITHER AN EARLY CHILDHOOD EDUCATION PROGRAM AS DEFINED IN SECTION 26-6.5-101.5 (6.5), OR A LICENSED FAMILY CHILD CARE HOME. AN ELIGIBLE PROGRAM MUST HAVE HELD AT LEAST A LEVEL ONE QUALITY RATING PURSUANT TO THE COLORADO SHINES QUALITY RATING AND IMPROVEMENT SYSTEM ESTABLISHED IN SECTION 26-6.5-106 FOR THE INCOME TAX YEAR FOR WHICH THE CREDIT IS CLAIMED.

(e) "FAMILY CHILD CARE HOME" HAS THE SAME MEANING AS SET FORTH IN SECTION 26-6-102 (13).

(f) "INFLATION" MEANS THE ANNUAL PERCENTAGE CHANGE IN THE UNITED STATES DEPARTMENT OF LABOR'S BUREAU OF LABOR STATISTICS CONSUMER PRICE INDEX FOR DENVER-AURORA-LAKEWOOD FOR ALL ITEMS PAID BY ALL URBAN CONSUMERS, OR ITS APPLICABLE SUCCESSOR INDEX.

(3) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2026, AN ELIGIBLE EARLY CHILDHOOD EDUCATOR IS

ALLOWED A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT AS SET FORTH IN SUBSECTION (3)(b) OF THIS SECTION.

(b) (I) EXCEPT AS PROVIDED IN SUBSECTION (3)(b)(II) OF THIS SECTION, THE AMOUNT OF THE CREDIT EQUALS, FOR:

(A) SEVEN HUNDRED FIFTY DOLLARS FOR AN EARLY CHILDHOOD PROFESSIONAL I;

(B) ONE THOUSAND DOLLARS FOR AN EARLY CHILDHOOD PROFESSIONAL II; AND

(C) ONE THOUSAND FIVE HUNDRED DOLLARS FOR AN EARLY CHILDHOOD PROFESSIONAL III, EARLY CHILDHOOD PROFESSIONAL IV, EARLY CHILDHOOD PROFESSIONAL V, OR EARLY CHILDHOOD PROFESSIONAL VI.

(II) FOR THE INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2023, THE DEPARTMENT SHALL ADJUST THE CREDIT AMOUNTS SET FORTH IN SUBSECTION (3)(b)(I) OF THIS SECTION TO REFLECT INFLATION FOR EACH INCOME TAX YEAR IN WHICH THE CREDIT DESCRIBED IN THIS SECTION IS ALLOWED.

(c) EACH ELIGIBLE EARLY CHILDHOOD EDUCATOR IS ONLY ALLOWED ONE CREDIT PER INCOME TAX YEAR, EVEN IF THE ELIGIBLE EARLY CHILDHOOD EDUCATOR EARNS A HIGHER LEVEL EARLY CHILDHOOD PROFESSIONAL CREDENTIAL IN THE SAME YEAR. IN SUCH CASE, THE ELIGIBLE EARLY CHILDHOOD EDUCATOR'S CREDIT IS BASED ON THE HIGHEST EARLY CHILDHOOD PROFESSIONAL CREDENTIAL ATTAINED DURING THE INCOME TAX YEAR.

(4) THE AMOUNT OF THE CREDIT UNDER THIS SECTION THAT EXCEEDS THE ELIGIBLE EARLY CHILDHOOD EDUCATOR'S INCOME TAXES DUE IS REFUNDED TO THE ELIGIBLE EARLY CHILDHOOD EDUCATOR.

(5) NO LATER THAN JANUARY 1, 2023, AND EACH JANUARY 1 THEREAFTER THROUGH JANUARY 1, 2026, THE DEPARTMENT OF HUMAN SERVICES, OR A SUCCESSOR DEPARTMENT, SHALL PROVIDE THE DEPARTMENT OF REVENUE WITH AN ELECTRONIC REPORT OF EACH INDIVIDUAL WHO HELD AN EARLY CHILDHOOD PROFESSIONAL CREDENTIAL DURING THE PREVIOUS CALENDAR YEAR FOR WHICH THE CREDIT IS ALLOWED. THE DEPARTMENT SHALL INCLUDE THE FOLLOWING INFORMATION IN THE REPORT, IF AVAILABLE:

(a) THE NAME OF THE INDIVIDUAL WHO HOLDS THE EARLY CHILDHOOD PROFESSIONAL CREDENTIAL;

(b) THE INDIVIDUAL'S SOCIAL SECURITY NUMBER OR TAX IDENTIFICATION NUMBER;

(c) THE HIGHEST LEVEL OF EARLY CHILDHOOD PROFESSIONAL CREDENTIAL HELD BY THE INDIVIDUAL DURING THE YEAR; AND

(d) THE LENGTH OF TIME THAT THE INDIVIDUAL HELD AN EARLY CHILDHOOD PROFESSIONAL CREDENTIAL AT ANY LEVEL.

(6) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2030.

SECTION 3. Appropriation. (1) For the 2022-23 state fiscal year, \$156,743 is appropriated to the department of revenue. This appropriation is from the general fund. To implement this act, the department may use this appropriation as follows:

(a) \$125,991 for use by taxation services for personal services, which amount is based on an assumption that the department will require an additional 2.0 FTE;

(b) \$21,570 for use by taxation services for operating expenses;

(c) \$4,950 for tax administration IT system (GenTax) support;

(d) \$3,200 for use by the executive director's office for personal services; and

(e) \$1,032 for the purchase of document management services.

(2) For the 2022-23 state fiscal year, \$1,032 is appropriated to the department of personnel. This appropriation is from reappropriated funds received from the department of revenue under subsection (1)(e) of this section. To implement this act, the department of personnel may use this appropriation to provide document management services for the department of revenue.

SECTION 4. Act subject to petition - effective date. This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly; except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2022 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

Approved: June 3, 2022